

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 TRSE-00 AGR-20 STR-08 CIAE-00

INR-10 NSAE-00 RSC-01 L-03 H-03 SS-20 NSC-10 /103 R

66604

DRAFTED BY EB/OT/STA:TEDEAL:JH

10/17/73 EXT. 20645

APPROVED BY EB/OT/STA:EWKEMPE

TREAS:RSELF

ARA/BR:SLOW

EB/OT/GCP:DDUNFORD

AGR:RMCCONNEL (SUBS)

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R 181653Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L STATE 206552

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: BRAZILIAN FOOTWEAR

REF: BRASILIA 7049

1. ON JULY 19, 1973, THE AMERICAN FOOTWEAR INDUSTRIES ASSOCIATION FILED A COMPLAINT WITH TREASURY ALLEGING THAT THE BRAZILIAN GOVERNMENT SUBSIDIZES EXPORT OF FOOTWEAR TO THE U.S. THE ASSOCIATION CONTENDS THAT SUCH SUBSIDIES CONSTITUTE A "BOUNTY" OR "GRANT" WITHIN THE MEANING OF THE COUNTERVAILING DUTY STATUTE AND THAT BRAZILIAN FOOTWEAR SHOULD BE SUBJECT TO U.S. COUNTERVAILING DUTIES. WHILE TREASURY HAS BEEN MONITORING IMPORTS OF FOOTWEAR FROM BRAZIL, IT HAS NOT REPEAT NOT INITIATED A FORMAL COUNTERVAILING DUTY INVESTIGATION. IT WAS DECIDED THAT THE FIRST STEP SHOULD BE INFORMAL DISCUSSIONS WITH THE
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BRAZILIANS. TREASURY SECRETARY SHULTZ DISCUSSED MATTER

WITH BRAZILIAN FINANCE MINISTER DELFIM NETTO AT IMF MEETING IN NAIROBI. ON OCT. 3, TREASURY ASSISTANT SECRETARY HENNESSY SENT A LETTER TO MR. VILAR DE QUEIROZ OF THE MINISTRY OF FINANCE EXPLAINING THE OPERATION OF THE COUNTERVAILING DUTY LAW AND INVITING THE BRAZILIANS TO DESIGNATE A REPRESENTATIVE FOR INFORMAL DISCUSSIONS IN WASHINGTON REGARDING THE APPLICABILITY OF U.S. LEGISLATION TO THE ALLEGED BRAZILIAN SUBSIDIES.

2. IN VIEW OF THE POSSIBLE EFFECT OF A COUNTERVAILING DUTY INVESTIGATION ON OUR BILATERAL RELATIONS, DEPT. DESIRES TO MANAGE THIS ISSUE IN SUCH A WAY AS TO CAUSE THE LEAST POSSIBLE DAMAGE TO THOSE RELATIONS AND AT THE SAME TIME CARRY OUT OUR STATUTORY RESPONSIBILITIES. THIS SHOULD BE CLEAR TO THE GOB ON THE BASIS OF ACTIONS WE HAVE TAKEN THUS FAR. THERE IS NO CONNECTION BETWEEN THIS MATTER AND OUR REQUEST TO BRAZIL ON APPLES AND PEARS. REFUSAL OF THAT REQUEST WOULD HAVE NO MORE EFFECT ON THE OUTCOME OF THE COUNTERVAILING DUTY ACTION THAN WOULD THE GRANTING OF THAT REQUEST.

3. ACTION REQUESTED: SUGGEST EMBASSY DISCUSS ABOVE WITH APPROPRIATE GOB OFFICIALS, POINTING OUT OUR CONCERN THAT GOB IS CONNECTING UNRELATED ISSUES; WE BELIEVE IT WOULD BETTER SERVE BOTH OUR INTERESTS TO DEAL WITH EACH CASE SEPARATELY ON ITS INDIVIDUAL MERITS. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE206552
Document Source: CORE
Document Unique ID: 00
Drafter: TEDEAL:JH
Enclosure: n/a
Executive Order: GS KEMPE
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731024/aaaaardo.tel
Line Count: 87
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BRASILIA 7049
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by martinml>; APPROVED <16-Jan-2002 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN FOOTWEAR
TAGS: ETRD, BR
To: BRASILIA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005